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10	UNITED STATES I	DISTRICT COURT		
11	NORTHERN DISTRICT OF CALIFORNIA			
12	SAN FRANCISCO DIVISION			
13		CODIVISION		
	EACEDOOK INC	Coss No. 5,00 ov. 05700 IW (ICC)		
14	FACEBOOK, INC.,	Case No. 5:08-cv-05780 JW (JCS)		
15	Plaintiff,	FACEBOOK, INC.'S REPLY IN SUPPORT OF ITS MOTION FOR		
16	V.	PARTIAL SUMMARY JUDGMENT UNDER CALIFORNIA PENAL CODE §		
17	POWER VENTURES, INC., a Cayman Island corporation; STEVE VACHANI, an individual;	502 AND THE COMPUTER FRAUD AND ABUSE ACT, 18 U.S.C. § 1030		
18	DOE 1, d/b/a POWER.COM, DOES 2-25, inclusive,	Date: January 23, 2012		
19	Defendants.	Time: 9:00 A.M. Dept: Courtroom 9, 19th Floor		
20	Defendants.	Judge: Hon. Chief Judge James Ware		
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I. INTRODUCTION

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With respect to Facebook's Section 502 claim, this Court left one narrow issue for resolution: whether "Power circumvented Facebook's technical barriers" to prevent further access to Facebook's website, which, if proven, would render Defendants "liable for violation of [California Penal Code] Section 502." Dkt. No. 89 at 18. In its Motion for Partial Summary Judgment, Facebook submitted undisputed evidence that shows that Defendants repeatedly circumvented Facebook's technical barriers. The evidence also demonstrates that Defendants' circumvention technology was created because they anticipated Facebook would block them. Because of these facts, Power Ventures' former CEO Robert Pollock told the Board of Directors "there is NO upside left for Power." Decl. of Morvarid Metanat in Support of Facebook's Mot. for Partial Summ. J. filed November 17, 2011 ("Metanat Decl."), Ex. 1. Instead, "once in discovery, [Facebook] would be able to establish damages and receive a Summary Judgment against Power." Id. Facebook's Computer Fraud and Abuse Act was substantively the same. Defendants offer no challenge to the submitted material facts but instead offer incorrect legal constructions. Accordingly, Facebook now is entitled to partial summary judgment of liability by Defendants for both Facebook's California Penal Code Section 502 claim, and its related claim for violations of the Computer Fraud and Abuse Act ("CFAA").

II. ARGUMENT

A. Power Has Violated California Penal Code § 502

Facebook is entitled to partial summary judgment of liability on its Penal Code Section 502 claim. Defendants' entire response to Facebook's Section 502 arguments is one paragraph at the end of their Opposition. Defendants' Opposition to Facebook's Motion for Partial Summary

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privilege. See Reply Decl. of I. Neel Chatterjee ("Chatterjee Reply Decl.") ¶ 2; see id., Ex. 1.

¹ Defendants complain that citation to this [Pollock] email "tramples the attorney-client privilege" because it allegedly summarizes a discussion Power's CEO had with one of the company's trial attorneys about why Facebook would receive summary judgment. *See* Defs.' Opp'n ("Opp"), at p. 1, fn. 1. However, the email is one of several documents produced by Defendants on November 2, 2011, and discussed during a meet-and-confer session of counsel held at a discovery hearing on November 4, 2011. At that conference, Facebook's counsel sought confirmation that Defendants were not asserting privilege over any of the produced documents. During that discussion, counsel for Defendants confirmed they intended to produce all of the documents that were produced on November 2, including this email, and that Defendants were not asserting

Judgment Under California Penal Code Section 502 and The Computer Fraud and Abuse Act, 18		
U.S.C. 1030 ("Defendants' Opp.") at 12:2-7. In conclusory fashion, Defendants raise three		
arguments: (a) Defendants did not access Facebook without permission, (b) Facebook has not		
established harm to its network or data, and (c) Defendants did not intend to defraud Facebook.		
<i>Id.</i> Each of these arguments rests on faulty legal analysis and ignores the undisputed evidence.		
1. <u>Defendants "Knowingly Accessed" Facebook's Website Without Facebook's Permission</u>		
Contrary to Defendants' legal arguments, Defendants "knowingly accessed" Facebook		
"without permission" within the meaning of Penal Code Section 502(c). As this Court previously		
ruled, all that Facebook need prove is that Defendants' tools were "designed to circumvent the		
technical barriers that Facebook put in place to block Power's access to the Facebook website."		
See Dkt. No. 89, at 19. There is no genuine issue of material fact that Defendants provided such		
tools.		
Defendants' attack on Facebook was premeditated. First, Defendants designed their		
website with circumvention in mind precisely because they believed social networking websites		
like Facebook would block them. Specifically, newly produced instant messages from Vachani		
show that he believed from the beginning that Power would need "to rotate with over 200 IPs or		
even more" via "open proxies" or "IP switching" in order to ensure the website was not blocked.		
Indeed, he felt his "IP switching" technique would help evade detection. Decl. of I. Neel		
Chatterjee in Support of Reply Mem. ("Chatterjee Decl."), Ex. 2 at 4. Vachani further		
recognized, before the power.com website launched, that Facebook would try to block connection		
to Power, and built the website so that "it would not be blockable." Metanat Decl. Ex. 2 at 324:6-		
8; 323:17-25.		
See Decl. of Larry		
Melling in Support of Facebook's Mot. for Partial Summ. J. filed on November 29, 2011		
("Melling Decl") ¶¶ 36-40 & Exs. J-M. ²		

² The Melling Declaration is attached as Exhibit 10 to the Metanat Declaration. A corrected version of the Melling Declaration with non-substantive changes was filed with the Court on

1	With this culpable state of mind, Vachani confirmed his belief that Defendants' actions
2	were unauthorized by reviewing Facebook's Terms of Service. Metanat Decl. Ex. 2 at 275:2-16;
3	276:7-13; 279:16-280:24; Ex. 6. ³
4	. Cutler Decl. ¶ 6 & Ex. A. Immediately following Defendants'
5	receipt of Facebook's Cease and Desist Letter, Vachani instructed Power's technical team that
6	they "need[ed] to be prepared for Facebook to try and block us" Metanat Decl. Ex. 6
7	(emphasis added). Later in December, after Defendants settled upon their "Amazon solution" to
8	"distribute IPs through Amazon and other places," the company's Chief Technology Officer,
9	Eric Santos, acknowledged that "the number 1 priority is correction of bugs and the improvement
10	of infrastructure (including <i>being ready for blocks</i>)" Metanat Decl. Ex. 7 (emphasis added).
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14	. Cutler Decl. ¶¶ 10, 12; McGeehan Decl. ¶¶ 13-14. Despite their awareness
15	of the wrongfulness of their actions, their review of Facebook's terms, their receipt of a cease and
16	desist letter, and their discussions with Facebook's counsel, Defendants still chose throughout
17	December of 2008 to repeatedly employ both their preexisting and new "Amazon solution"
18	circumvention measures in order to access Facebook's website without Facebook's permission.
19	In response to these undisputed facts, Defendants rely upon the self-serving and
20	speculative Declaration of Steve Vachani. Mr. Vachani acknowledges that Defendants were
21	
22	November 29, 2011. Likewise, the Declarations of Joseph Cutler ("Cutler Decl.") and Ryan McGeehan ("McGeehan") are attached as Exhibits 8-9 to the Metanat Declaration.
23	³ Defendants argue that while Vachani had read at least portions of Facebook's Terms of Use, Facebook has no evidence he or Power had any "real knowledge even if the Terms of Service
24	were relevant." See Defendants' Opp. at 5, fn. 3. This is pure legal argument and should be
25	rejected. Vachani does not make any claim in his declaration submitted in opposition to Facebook's motion that he only read "portions," or that he did not understand the key restrictions. 4 Mr. Vachani's declaration is offered without personal knowledge and asserts certain legal.
26	⁴ Mr. Vachani's declaration is offered without personal knowledge and asserts certain legal conclusions. As a result, it should not be considered at all as set forth in Facebook's separate evidentiary objection. Observ. Digs. No. Con. 3382 PH. 2010 U.S. Digt. LEXIS 101335. *5
27	evidentiary objection. Olson v. Dias, No. C08-3382 PJH, 2010 U.S. Dist. LEXIS 101335, *5 (N.D. Cal. Sept. 24, 2010). See also United States v. Wilson, 881 F. 2d 596, 601 (9th Cir. 1989)
28	(Defendants' declarations found too speculative to support Defendants' contentions where they offered little more than conclusory statements of fact and were self-serving). Facebook objects to Defendants' reliance on such testimony and is, thus, concurrently filing objections thereto.

1	"aware of the attempted IP blocking" by Facebook in December of 2008. See Dkt. No. 189,
2	Declaration of Steve Vachani ("Vachani Decl.") ¶ 12. Mr. Vachani then misleadingly states,
3	"Power did not undertake any effort to circumvent that block, and did not provide users with any
4	tools designed to circumvent it." (emphasis added). <i>Id.</i> Because Mr. Vachani does not date the
5	block to which he refers, or offer the IP address that was involved, it is impossible for this Court
6	to determine which of the several blocks by Facebook he is referring to. <i>Cf.</i> McGeehan Decl.
7	¶ 13-14. The reason Mr. Vachani uses such vague wording is because Defendants admit they
8	knew in advance of December 1, 2008 that Facebook would likely block their activities, and that
9	
10	would suffice. Metanat Decl. Ex. 2, at 324:6-8. See also id. 323:17-25;
11	Melling Decl.¶¶ 36-40 & Exs. J-M. Such knowledge underscores that Defendants' actions were
12	taken intentionally and without Facebook's permission.
13	Defendant Vachani also claims in his Declaration that one of the IP addresses that
14	Facebook blocked was "outdated" and "did not block other IPs that Power was using in the
15	normal course of business." See Defendants' Opp. at 6:14-15 (quoting Declaration of Steve
16	Vachani ¶ 11). Again, however, the IP addresses Vachani references
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18	Melling Decl. ¶¶ 3, 36-40 & Exs. J-M. Mr. Vachani
19	explained what he meant in a January 4, 2009 email, where he wrote to one of Facebook's
20	principal investors that Power was "very difficult too (sic) block up," and "Facebook took what
21	should have been a standard measure, but we were able to easily <i>adjust</i> " Chatterjee Decl. Ex
22	3 (emphasis added). As Vachani recognized, Defendants were able to rely upon the
23	circumvention techniques Defendants specifically designed to ensure the power.com website
24	could never be effectively blocked. There simply is no genuine issue of disputed fact that
25	Defendants knowingly accessed Facebook without Facebook's permission
26	2. <u>Facebook Was Harmed.</u>
27	As this Court has already recognized, Facebook has submitted undisputed evidence that
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Facebook was harmed by Defendants' attack. See Dkt. No. 89, at 7-8. Unlike a claim under the

CFAA, it is not necessary for Facebook to prove some kind of "loss" or minimum amount of
damages to establish harm under Penal Code Section 502. <i>DocMagic, Inc. v. Ellie Mae, Inc.</i> , 745
F. Supp. 2d 1119 at 1150 (N. D. Cal. 2010). See also LaCourt v. Specific Media, Inc., 2011 WL
1661532, at *7 (C.D. Cal. Apr. 28, 2011) ("California's Computer Crime Law does not have a
minimum damages requirement"). It is partially for that reason that this Court already found that
certain facts related to damage and loss are undisputed, conferring standing upon Facebook for
purposes of the statute. See Dkt. No. 89 at 6-8. Specifically, this Court found that the
"undisputed" facts show that "Facebook suffered some damage or loss as a result of Power's
actions," and that "[s]ince the undisputed facts demonstrate that Facebook has suffered some
damage or loss in attempting to block Power's access to the Facebook website, the Court finds
that Facebook has standing to bring suit pursuant to [Penal Code] Section 502(e)." Dkt. No. 89 at
7, 8. See also Cutler Decl. ¶ 15. Defendants make no reference to this earlier finding, which is
now law of the case. <i>Thomas v. Bible</i> , 983 F.2d 152, 154 (9th Cir. 1993).
Further substantiating the Court's prior ruling, the uncontroverted evidence reflects that
Facebook's Penal Code Section 502 damages were extensive. As this Court previously
recognized,
. See McGeehan Decl. ¶¶ 7-18. See also Dkt. no. 89 at 6-7.
. See McGeehan Decl. ¶¶ 7-18;
Cutler Decl. ¶¶ 6-15.
. See McGeehan Decl. ¶¶ 7-18; see also Cutler Decl. ¶¶ 6-15.
. McGeehan Decl. ¶ 10. Under these
circumstances, Facebook has presented sufficient undisputed facts of harm and injury to be
granted partial summary judgment on its Penal Code Section 502 claim. Cf. Therapeutic
Research Faculty v. NBTY, Inc., 488 F. Supp. 2d 991, 998-99 (E.D. Cal. 2007) (finding that

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allegations that defendants gained unauthorized access to plaintiff's database were sufficient to establish injury for purposes of Penal Code Section 502).

3. Facebook Is Not Required To Prove that Power Intended To Defraud Facebook To Prove a Claim Under Penal Code Section 502.

Defendants incorrectly argue that Facebook has "failed to establish that Power intended to defraud Facebook" so as to prove a violation of California Penal Code Section 502. *See*Defendants' Opp. at 8:20-23; 12:6. To the contrary, evidence of an intent to defraud is only a requirement to prove a violation of one section of the CFAA – 18 U.S.C. § 1030(a)(4) – and has absolutely no bearing on whether a violation of Penal Code Section 502 is proven. *Cf. DocMagic*, 745 F. Supp. 2d at 1150-51 & n. 10 (noting that Penal Code Section 502 "prohibits a wider range of conduct" than the CFAA). Inasmuch as Defendants concede that Facebook has introduced evidence that "Power intended to *access* Facebook" without Facebook's permission (Defendants' Opp. at 9:10; emphasis in original), and inasmuch as such proof is all Facebook needs to prove to establish a violation of Penal Code Section 502, Defendants' argument that there is a lack of evidence of intent to defraud is legally irrelevant.

Mr. Pollock's frank assessment in July of 2010 of the facts and state of the litigation was correct. *See* Metanat Decl. Ex. 1. Facebook has established damages and is entitled to summary judgment on the Penal Code Section 502 claims.

B. <u>Facebook Is Entitled to Partial Summary Judgment on Its CFAA Claim.</u>

For the same reason that Facebook has proven that Defendants obtained "data from a computer," "used ... computer services," or "access[ed] any computer system" for purposes of Penal Code Sections 502, Facebook also has proven that Defendants "obtained information" and "something of value" from Facebook so as to establish violations of 18 U.S.C. Section 1030. 11/17/11 Mot. for Partial Summ. J. on 502 and CFAA at 2:4-8. Defendants have not raised any genuine issue of material fact with respect to Facebook's Computer Fraud and Abuse Act claim.

Facebook proved liability under Section 1030(a)(2)(C) and Section 1030(a)(4). *Id.* at 3:2-6:28. In response, Defendants argue that Facebook cannot prevail because (a) Facebook was not harmed in excess of \$5000, (b) Defendants did not act "without authorization" or exceed

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Facebook's authorization, (c) they did not take anything "of value," and (d) they did not act with intent to defraud. See Defendants' Opp. at 4:3-11:23. Under a plain reading of Section 1030, only the first two arguments apply to Section 1030(a)(2), which has no requirement that something "of value" be taken or that it prove Defendants' trespasses were "intended to defraud." See Shurgard Storage Centers, Inc. v. Safeguard Self Storage, Inc., 119 F. Supp. 2d 1121, 1125 (W.D. Wash. 2000) (noting a key difference between 18 U.S.C. Section 1030(a)(2)(C) and 18 U.S.C. Section 1030(a)(4) is the requirement in the latter statute of the intent to defraud). See also Register.com, Inc. v. Verio, Inc., 126 F. Supp. 2d 238, 251-53 (S.D.N.Y. 2000). America Online, Inc. v. LCGM, Inc., 46 F. Supp. 2d 444, 450 (E.D. Va. 1998) (listing elements of Section 1030(a)(2)(C), which do not require Defendants to take anything of value or intend to defraud).

Facebook Has Suffered Damage Or Loss In Excess Of \$5000.

Facebook proved standing under the CFAA. Facebook introduced uncontroverted evidence that it incurred over \$5000 in damage or loss under the CFAA as a result of Defendants' conduct. See 18 U.S.C. § 1030(e)(11) & (g); 11/17/11 Mot. for Partial Summ. J. on 502 and CFAA at 3:1-4:7. It is well established that "[c]osts associated with investigating intrusions into a computer network and taking subsequent remedial measures are losses within the meaning of the statute." See Multiven, Inc. v. Cisco Sys., Inc., 725 F. Supp. 2d 887, 895 (N.D. Cal. 2010); Kimberlite v. Does, 2008 WL 2264485, *1-2 (N.D. Cal. 2008). As discussed above in conjunction with Facebook's harm under Penal Code Section 502,

. See supra § II(A)(2); see

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also 11/17/11 Mot. for Partial Summ. J. on 502 and CFAA at 3:19-4:7.

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Defendants argue that Facebook's damages evidence is insufficient to prove harm, and that the legal fees incurred by Facebook's counsel cannot be used as part of the calculation of loss. See Defendants' Opp. at 10:15-11:23. The damages identified by Facebook are exactly the same kind of damages this Court previously has held are calculated in determining "loss." See Multiven, 725 F. Supp. at 895 (finding that Cisco "present[ed] evidence that Cisco expended at

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least \$75,000 investigating the intrusion into their network and 'restoring the security and integrity of Cisco's proprietary system'"). Moreover, time spent by legal counsel investigating Defendants' computer attacks and spamming of Facebook is compensable in calculating such loss under the CFAA. *See Animators at Law, Inc., v. Capital Legal Solutions, LLC*, 786 F. Supp. 2d 1114, 1122 (E.D. Va. 2011) ("Additionally, even though Greenspan is an attorney working for Animators, a jury may conclude that hiring an attorney to investigate the intrusion and oversee the investigation was reasonably foreseeable and reasonably necessary under the circumstances," so as to be "qualifying CFAA losses"); *E.R. James Real Estate Serv., LLC v. Spinell*, 2011 WL 5078873, at *3 (N.D. Ill. Oct. 26, 2011) (refusing to dismiss a CFAA count seeking recovery of attorneys fees, noting that "attorneys' fees – at least insofar as they pertain to investigating a CFAA violation – may be recoverable"). Again, Defendants raise no triable issue of fact preventing entry of partial summary judgment on Facebook's CFAA claims.

1. Defendants' Violated § 1030(a)(2).

Inasmuch as Facebook established that there is no genuine issue of material fact that Defendants intentionally circumvented Facebook's IP blocks and thus accessed Facebook "without permission" for purposes of California Penal Code Section 502(c), Facebook also established that Defendants intentionally accessed Facebook "without authorization" or in excess of Facebook's authorization for purposes of 18 U.S.C. Section 1030(a)(2)(C). *See supra* § II(A)(1); 11/17/11 Mot. for Partial Summ. J. on 502 and CFAA at 4:8-6:28. *See also Multiven*, 725 F. Supp. at 895 (noting that "the necessary elements of Section 502 do not differ materially from the necessary elements of the CFAA for purposes of this action"). Defendants offer no independent reasons why proof that their actions were without permission for purposes of Penal Code Section 502 should not also satisfy the requisite elements of 18 U.S.C. Section 1030(a)(2)(C). *See* Defendants' Opp. at 5:8-8:18. For the same reasons discussed with respect to Facebook's 502 claims, Defendants' argument that Facebook is not entitled to summary judgment on the CFAA claim is without merit.

2. <u>Defendants' Challenges Under § 1030(a)(4) Are Without Merit.</u>

Defendants incorrectly argue that they did not take anything of value for purposes of establishing a claim under § 1030(a)(4), because supposedly the only data they obtained from Facebook was "'User Content,' over which Facebook has disclaimed any ownership." Defendants' Opp. at 4:24-27 (quoting Vachani Decl. ¶ 22). Defendants' admission that they took content from Facebook satisfies the elements for violating the statute. Courts have defined "anything of value" under the CFAA to mean that "'[t]he value of information is relative to one's needs and objectives'" *NCMIC Fin. Corp. v. Artino*, 638 F. Supp. 2d 1042, 1062 (S.D. Iowa 2009) (quoting *United States v. Czubinski*, 106 F.3d 1069, 1078 (1st Cir. 1997)). Indeed, the Ninth Circuit has specifically rejected the theory that there is "an ownership or control requirement" necessary to prove a violation of the CFAA. *Theofel v. Farey-Jones*, 359 F.3d 1066, 1078 (9th Cir. 2004).

The fact that Defendants scraped, downloaded, stored, and used public Facebook user information in order to "proxy" the Facebook website demonstrates that the information was valuable within the meaning of 18 U.S.C. § 1030(a)(4). For that reason, courts have held that the unauthorized harvesting of a website's user information like that accomplished by Defendants – especially when it is done in conjunction with later spamming of the users – can establish violations of both 18 U.S.C. Section 1030(a)(2)(C) and 18 U.S.C. Section 1030(a)(4). *See*, *e.g.*, *eBay, Inc. v. Digital Point Solutions, Inc.*, 608 F. Supp. 2d 1156, 1163-64 (N.D. Cal. 2009) (plaintiff established violation of Section 1030(a)(4)(C) through proof that defendant entered its public website via third parties and in violation of eBay's user agreement).

3. Defendants Acted With An Intent To Defraud.

Section 1030(a)(4) requires proof of an "intent to defraud" by Defendants. 18 U.S.C. § 1030(a)(4). Facebook established that Defendants acted with the requisite intent. Under the CFAA, intent to defraud "simply means wrongdoing and does not require proof of common law fraud." *Multiven*, 725 F. Supp. 2d at 892 (citing *Hanger Prosthetics & Orthotics, Inc. v. Capstone Orthopedic, Inc.*, 556 F. Supp. 2d 1122, 1131 (E.D. Cal. 2008)). For that reason, there is no requirement that Facebook prove anyone was "misled" by Defendants' actions, as

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I		(10.10.10. A. 1. 11.1.1.1.1.1.1.1.1.1.1.1.1.1.1.1	
		at 10:10-13. As described above, Defendants, knowing	
	that their conduct was wrongful, accessed and obtained valuable information and data from the		
	Facebook website. See, e.g., Metanat Decl. Ex. 4, at Requests Nos. 13, 15, 18, 22, 37, and 54-56.		
	Defendants also admit to obtaining Facel	book data files necessary to display the Facebook website	
	through the Power browser, and to using	their PowerScript software to access the Facebook	
	website to automatically lift content fron	n Facebook users' accounts, parse it and reformat it for	
	display on Power's website. See Dkt. No	o. 54, ¶ 75; Chatterjee Decl. Ex. 4 at 125:22-129:4;	
	159:14-25; 279:16-280:19; 49:15-50:14;	Metanat Decl., Ex. 4 at Response 18. Accordingly, as	
	the evidence of wrongdoing is not disput	ted, partial summary judgment should be granted on	
	Facebook's claim for violation of 18 U.S	b.C. Section 1030(a)(4).	
	III. <u>CONCLUSION</u>		
	For the foregoing reasons, Facebo	ook respectfully requests that the Court grant Facebook's	
	Motion for Partial Summary Judgment o	n its Penal Code Section 502 and CFAA claims.	
	Dated: December 12, 2011	ORRICK, HERRINGTON & SUTCLIFFE LLP	
		By: /s/ I. Neel Chatterjee /s/ I. Neel Chatterjee	
I		Attorneys for Plaintiff	
		FACEBOOK, INC.	
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